

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6308

BILL NUMBER: SB 84

NOTE PREPARED: Apr 13, 2009

BILL AMENDED: Apr 13, 2009

SUBJECT: Rename Department of Workforce Development.

FIRST AUTHOR: Sen. Kruse

FIRST SPONSOR: Rep. Niezgodski

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) The bill does the following.

Name Change: The bill changes the name of the Department of Workforce Development (Department) to the Department of Workforce Development and Unemployment Insurance.

Hearings: The bill provides that no action may be taken to resolve a disputed claim for unemployment insurance benefits (claim) until the affected employer: (1) has actual knowledge of the date, time, and place of the hearing or other action; and (2) receives complete information about the rules of evidence and standards of proof that will be used to determine the validity of the claim.

The bill also requires the Department to adopt rules concerning the conduct of administrative law judges, review board members, and other individuals who adjudicate claims during a hearing or other adjudicative process. It requires the Department to provide at least annually for individuals who adjudicate claims training on unemployment compensation law, rules for the conduct of hearings and appeals, and rules of conduct during a hearing or other adjudicative process. The bill provides that an individual who does not strictly adhere to the law and rules is subject to discipline, up to and including suspension and termination.

Gross Misconduct: The bill specifies what constitutes "gross misconduct" in connection with termination of employment for purposes of unemployment insurance.

Advisory Committee: The bill also establishes the Unemployment Insurance Oversight Advisory Committee to monitor the Unemployment Insurance Benefit Fund (Fund) and make recommendations to improve the solvency of the Fund.

Special Employment and Training Services Fund: The bill requires the Unemployment Insurance Board to transfer from the Special Employment and Training Services Fund (Special Fund) to the fund amounts in the Special Fund that exceed \$8,500,000 and provides that \$450,000 annually may be released by the commissioner of the department for training and counseling assistance for certain individuals.

Hoosier Works First Training Program and Fund: The bill establishes the Hoosier Workers First training program to allocate to employers or consortiums money for incumbent worker training grants.

Stimulus Funds: The bill requires the Commissioner of the Department to: (1) initiate changes to eligibility and other requirements of the state's existing unemployment insurance system in order to qualify for the maximum amount available to a state under any federal economic stimulus package, unless the cost of making the changes exceeds the maximum amount available to the state as a result of making the changes; and (2) submit to the Legislative Council, the Unemployment Insurance Oversight Advisory Committee, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate a report that: (A) details the commissioner's actions or decision not to act; (B) makes recommendations for necessary legislation; and (C) analyzes the fiscal impact to the fund of the changes and recommended legislation.

Minority and Women's Business Enterprises: The bill expands the duties of the Governor's Commission on Minority and Women's Business Enterprises (Commission) to include setting goals for all contracts entered into with the use of state property and the use of state funds involving the use of real property of a unit of local government. It requires the Department of Administration to direct contractors to demonstrate a good faith effort to meet participation goals. It requires the commission to work with the department to develop a statement for grantees stating the importance of the use of minority and women's business enterprises. It requires a unit of local government to report to the commission on the planned and actual participation of minority and women's business enterprises in a grant or contract that is subject to the goals set by the commission.

Redevelopment Authority: The bill allows the members of the board of directors of a redevelopment authority to be required to be residents of or have their place of employment within the unit that created the redevelopment authority, under certain circumstances.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Name Change:* There could be some cost to changing signs and documents. The additional cost would probably be minor and could be done within existing appropriations.

Hearings: The Department could incur some additional administrative expenses associated with notice of disputed claims for unemployment insurance and for the adoption of rules of conduct of administrative law judges, review board members, and other individuals who adjudicate claims and for providing specified training.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions. As of January 2, 2009, the Department had 47 vacant positions valued at about \$1.3 M. Of the 47 positions, only 16 had been vacant for more than three months.

The Department reverted \$128,326 to the state General Fund on June 30, 2008. The primary source of funding for the Department is federal dollars.

(Revised) *Gross Misconduct*: The expansion of the definition of gross misconduct is estimated to save about \$20 M annually. The impact assumes that about 1.5% of filed claims might be disapproved due to gross misconduct.

Advisory Committee: The bill would create the Unemployment Insurance Solvency Advisory Committee. The Committee consists of 10 members (3 from the Senate, 3 from the House, 2 representing labor, and 2 representing businesses) to monitor and make recommendations to increase the solvency of the fund. The Committee is required to report annually to the Legislative Council. The Legislative Services Agency is to provide administrative support for the Committee. The bill annually appropriates the money necessary for the Committee from the state General Fund. The budgets for interim study committees in recent years have been \$9,500.

Special Employment and Training Services Fund: The Special Employment and Training Services Fund on February 9, 2009, had a balance of about \$13 M, but according to the Department of Workforce Development most of the \$13 M is obligated. The Department transferred \$20 M to the Unemployment Insurance Fund in October 2008. The bill could spend \$450,000 annually for training and counseling assistance for certain individuals.

Hoosier Works First Training Program and Fund: The bill establishes the Hoosier Workers First Training Program and Fund to:

1. Improve manufacturing productivity levels in Indiana.
2. Enable firms to become competitive by making workers more productive through training.
3. Create a competitive economy by creating and retaining jobs.
4. Encourage the increased training necessary because of an aging workforce.
5. Avoid potential payment of unemployment compensation by providing workers with enhanced job skills.

The money in the fund is to be allocated to employers or consortiums for worker training grants that enable residents to obtain skills that improve employer competitiveness. The bill does not provide funding for the program.

Stimulus Funds: The impact of this provision would depend on the amount of federal economic stimulus funds and what changes to eligibility and other requirements to the state's existing unemployment insurance system might be necessary to qualify for the maximum amount of stimulus funding available to a state, unless the cost of making the changes exceeds the maximum amount available to the state as a result of making the changes. The impact is an unknown reduction in net expenditures since the stimulus revenue has to exceed the cost of changes.

(Revised) *Commission on Minority and Women's Business Enterprises*: This bill requires the Commission on Minority and Women's Business Enterprises to set annual goals regarding all contracts and grants made using state funds involving the use of real property of a local unit of government or involving incentives offered using state funds. The Commission is also required to advise the Indiana Department of Administration (IDOA) on developing a statement regarding the importance of the use of minority and women's business enterprises. The statement will be used in all applications and agreements governing grants with state funds. The Commission should be able to implement these requirements within their existing level

of resources.

This bill requires the IDOA to direct contractors to demonstrate a good faith effort by using the repository of certified firms created under IC 4-13-16.5-3 in order to meet participation goals. The IDOA should be able to implement this provision within their existing level of resources.

Additionally, the IDOA is to work with the Commission to develop a statement regarding the importance of the use of minority and women's business enterprises. Because the bill specifies that the statement will be used in all applications and agreements governing grants with state funds, additional administrative costs may be incurred in order to implement this provision.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Redevelopment Authority*: Allowing the members of the board of directors of a redevelopment authority to be required to be residents of or have their place of employment within the unit that created the redevelopment authority under certain circumstances would have minor fiscal impact.

Explanation of Local Revenues:

State Agencies Affected: Department of Workforce Development, Commission on Minority and Women's Business Enterprises; IDOA.

Local Agencies Affected: Local units of government.

Information Sources:

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